

# PUBLIC NOTICE

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DA 99-521

Released: March 17, 1999

## Universal Service Administrative Company Report to the FCC: Evaluation of the Rural Health Care Program

### Pleading Cycle Established

CC Docket Nos. 96-45 and 97-21

Comment Date: March 29, 1999

Reply Comment Date: April 5, 1999

In the Telecommunications Act of 1996, Congress sought to provide rural Americans with affordable access to quality health care, by directing telecommunications carriers to provide telecommunications services to any public or non-profit health care provider, at rates that are reasonably comparable to rates charged for similar services in urban areas in the same state.<sup>1</sup> After public comment and input from all interested parties, the FCC established a mechanism that could ultimately distribute \$400 million to benefit rural health care providers as Congress intended in section 254 of the Act.<sup>2</sup> The Commission has since directed the Universal Service Administrative Company (USAC) to assume responsibility for the rural health care support mechanism effective January 1, 1999.<sup>3</sup>

In the first application period, USAC's Rural Health Care Division (RHCD) received approximately 2,500 initial applications for support, but only a small percentage of those applicants have completed the application process.<sup>4</sup> Consequently, the Commission instructed USAC to: (1) evaluate ways to improve opportunities for eligible rural health care providers

<sup>1</sup> 47 U.S.C. § (h)(1).

<sup>2</sup> *Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Federal-State Joint Board on Universal Service*, CC Docket Nos. 97-21, 9-45, Report & Order and Second Order on Reconsideration, 12 FCC Rcd 18400 (1997).

<sup>3</sup> *Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Federal-State Joint Board on Universal Service*, Third Report and Order and Fourth Order on Reconsideration, and Eighth Order on Reconsideration, CC Docket Nos. 96-45, 97-21, FCC 98-306 (rel. Nov. 20, 1998).

<sup>4</sup> First Quarter 1999 Projected Demand and Expenses for the Rural Health Care Universal Service Support Program (filed Oct. 30, 1998).

to take advantage of the support mechanism; (2) carefully review all of the administrative expenses associated with the rural health care mechanism, and determine where reductions can be made, so that the expenses are commensurate with the size of the support mechanism; and (3) evaluate anticipated demand for 1999.<sup>5</sup>

On March 5, 1999, USAC submitted a report with the following recommendations for improving the rural health care program: (1) simplify the urban-rural rate calculation; (2) recognize that one component of the urban-rural rate differential is distance; (3) simplify the application forms; (4) re-focus and target outreach efforts; (5) consolidate the RHCD program functions with the functions of another support mechanism within USAC; and (6) extend the initial funding cycle by six to twelve months to allow for improvements prior to the commencement of the second funding cycle.<sup>6</sup>

Consistent with the Commission's requirements, USAC offers numerous immediate and long term recommendations for reducing the administrative expenses of the rural health care program. For the immediate reduction of administrative expenses, USAC recommends that the Commission reallocate the cost of USAC support based upon program size, and otherwise reduce the number of personnel.<sup>7</sup> USAC suggests that the Commission can achieve additional savings during the period from July 1 through December 31, 1999 by reducing outside contract costs, and reallocating billing and collection costs.<sup>8</sup> The report further states that, with simplification of the program, USAC should ultimately perform in-house all rural health care operations currently performed by third party contractors.<sup>9</sup> According to the report, whether or not the program is simplified, the Commission should, after January 1, 2000: transfer to another support mechanism, and consolidate therein those RHCD functions that are similar to the functions of another support mechanism; and consider having at least some rural health care functions performed in-house by USAC and/or re-bidding the third party contracts for support thereof.<sup>10</sup>

Finally, the report concludes that demand will grow with the simplification of the program and the growth in health networks.<sup>11</sup> Specifically, USAC reports that, with the recommended changes, demand could grow from the current estimate of \$3,115,000 for the

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<sup>5</sup> *Proposed First Quarter 1999 Universal Service Contribution Factors and Proposed Actions*, CC Docket No. 96-45, FCC 98-318 (rel. Dec. 4, 1998).

<sup>6</sup> Universal Service Administrative Company Report to the FCC: Evaluation of the Rural Health Care Program at 2 (filed March 5, 1999) (USAC Report).

<sup>7</sup> USAC Report at 3.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 6.

initial funding year, to \$9,290,000 for the second funding year that will begin on July 1, 1999.<sup>12</sup>

Parties wishing to comment on these issues are directed to file the comments on or before March 29, 1999, and reply comments on or before April 5, 1999, in accordance with section 1.415 of the Commission's rules, 47 C.F.R. § 1.415, and the procedures set forth below.

#### Procedure for Filing

All filings should reference: Universal Service Administrative Company Report to FCC, Evaluation of the Rural Health Care Program, CC Docket Nos. 96-45 and 97-21, and should include the DA number shown on this Public Notice. Interested parties must file an original and six copies of their comments with the Office of Secretary, Federal Communications Commission, 445 Twelfth Street, S.W., Room TW-A325, Washington, D.C. 20554. Parties should send three copies of their comments to Sheryl Todd, Common Carrier Bureau, Federal Communications Commission, 445 Twelfth Street, S.W., 5th Floor, Washington, D.C. 20554. Parties should send one copy of their comments to the Commission's copy contractor, International Transcription Service, 1231 20th Street, N.W., Washington, D.C. 20036. Copies of documents filed with the Commission, including the Universal Service Administrative Co. Report to the FCC, Evaluation of the Rural Health Care Program, may be obtained from the International Transcription Service, 1231 20th Street, N.W., Washington, D.C. 20036, (202) 857-3800. Documents are also available for review and copying at the FCC Reference Center, FCC Reference Center, 445 Twelfth Street, S.W., Room TW-A325, Washington, D.C. 20554, from 9:00 a.m. to 4:30 p.m.

Parties may also file comments electronically via the Internet at:

<<http://www.fcc.gov/e-file/ecfs.html>>. Only one copy of an electronic submission must be submitted. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the lead docket numbers for this proceeding, which are Docket Nos. 96-45 and 97-21. Parties not submitting their comments via the Internet are also asked to submit their comments on diskette. Parties submitting diskettes should submit them to Sheryl Todd at the address noted above. Such a submission should be on a 3.5 inch diskette formatted in an IBM compatible format using WordPerfect 5.1 for Windows or compatible software. The diskette should be accompanied by a cover letter and should be submitted in "read only" mode. The diskette should be clearly labelled with the party's name, proceeding (including the lead docket numbers in this case, Docket Nos. 96-45 and 97-21, type of pleading (comment or reply comment)), date of submission, and the name of the electronic file on the diskette. Each diskette should contain only one party's pleadings, preferably in a single electronic file. In addition, parties must send copies to the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, N.W., Washington, D.C. 20036.

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<sup>12</sup> *Id.*

Pursuant to section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this proceeding will be conducted as a permit-but-disclose proceeding in which *ex parte* communications are permitted subject to disclosure.

For further information, contact Sheryl Todd or Linda P. Armstrong, Accounting Policy Division, Common Carrier Bureau at (202) 418-7400, TTY (202) 418-0484, or via e-mail: [stodd@fcc.gov](mailto:stodd@fcc.gov) or [larmstro@fcc.gov](mailto:larmstro@fcc.gov).

-- Action by Common Carrier Bureau --